

ASX Release

15 November 2011

Avalanche Project - Drilling Update

Otis Energy Limited (ASX: OTE) is pleased to provide the following update on progress at its Avalanche project (Otis Energy 10% WI , 7.3% NRI).

The Avalanche #1 well is currently at a depth of 14,241 feet. The well will be drilled to 14,270 feet at which point open hole logs will be run and a 9 5/8th intermediate casing will be set. This process is expected to take 4-5 days. Upon completion of this process the well will drill ahead to 15,600 feet where 2,000 feet of 7 5/8 drilling liner may be set depending on well bore pressure encountered. The well will then be drilled to a total vertical depth of 17,500 feet (5,334 metres) to test the four prospective sands identified by the 3D seismic.



Avalanche # 1 Well

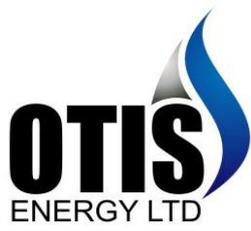
The first well at Avalanche will test four identified zones for a reserve potential of 3.3MMBO to 44 MMBO and 9.9BCFG to 123BCFG.

Updates will be provided to the market on a weekly basis until target depth is reached.

About the Avalanche Project;

The Avalanche project is located in South Central Louisiana and consists of over 24,000 acres of which approximately 75% is covered by a proprietary 3D seismic survey. The project has 126 million barrels of oil and 379 billion cubic feet of gas reserve potential.

Mapping of independent seismic events has led to the delineation of over 22 separate prospects across the 3D survey.



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The information in this announcement has been reviewed by David Brewer (a Certified Petroleum Geologist with the AAPG) who has over 30 years' experience in petroleum geology, and geophysics, prospect generation and evaluations, and prospect and project level resource and risk estimations. Mr Brewer reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbon resources in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at spe.org.

The estimated reserves for the Avalanche prospect were determined by mapping the aerial extent and thickness of multiple seismic anomalies seen in the 3D seismic data set over the prospective area. These anomalies are interpreted to be potential reservoirs for oil and gas. Once the volume of the reservoirs are determined, values for porosity and hydrocarbon saturation based reservoir parameters from similar producing reservoirs in the area are applied to determine the potential gross reserves. It is anticipated that the potential gross reserves of 126mmbbl and 379bcfg will come from multiple reservoirs requiring multiple wells to recover. For these reservoirs to be found commercially productive several criteria must be met. They must have reservoir quality rock, a hydrocarbon source rock, a trapping mechanism in place during hydrocarbon migration which is still in place today and a sufficient reservoir drive mechanism to allow the hydrocarbons to be produced at commercial rates. The risk associated with the first well is the probability that all of these elements are in place. If they are and we have a successful well, we will gather information on the quality of the reservoir and the associated drive mechanism. From this we can determine the percentage of the gross reserves that will be recoverable.